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THE BOARD OF DIRECTORS OF DOMINION STORES LIMITED PRESENTS THE 48TH ANNUAL REPORT

AR39

To The Shareholders

FISCAL YEAR ENDED MARCH 23, 1968



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Version française — On peut obtenir un exemplaire français du présent Rapport annuel en s'adressant au Secrétaire de la Compagnie, 605 Rogers Road, Toronto 15, Ontario.

Auditors

McDonald, Currie & Co., Toronto

Bankers

Bank of Montreal
Banque Canadienne Nationale
Banque Provinciale du Canada
Canadian Imperial Bank of Commerce
The Bank of Nova Scotia
The Royal Bank of Canada
The Toronto-Dominion Bank

Transfer Agents

Crown Trust Company
Toronto, Montreal and Vancouver
Canada Permanent Trust Company
Halifax and Saint John
Bankers Trust Company, New York

Registrars

Crown Trust Company,
Toronto, Montreal and Vancouver
Canada Permanent Trust Company,
Halifax and Saint John
Bankers Trust Company, New York

The Annual Meeting of Shareholders will be held at the Head Office of the Company, 605 Rogers Road, Toronto, on Thursday, the 27th day of June, 1968, at the hour of 10:30 a.m.

Comparative Highlights

For the Year Ended
March 23, 1968
(53 Weeks)

For the Year Ended
March 18, 1967
(52 Weeks)

Sales	\$584,192,464	\$543,471,797
(An increase of \$40,720,667 or 7.49%)		
Net Profit	\$ 10,507,604	\$ 9,424,802
per dollar of sales.....	1.80¢	1.73¢
per share of common stock.....	\$ 1.30	\$ 1.16
Dividends	\$ 5,812,579	\$ 5,812,329
per share of common stock.....	72¢	72¢
Working Capital	\$ 25,661,407	\$ 23,317,975
Ratio of Current Assets to Current Liabilities	2.00	2.07
Total Reinvested Earnings	\$ 59,639,424	\$ 54,944,399
Shareholders' Equity	\$ 75,327,883	\$ 70,632,858
Number of Stores at End of Year	381	380



Directors

***JOHN A. McDOUGALD**

Chairman of the Board and Chairman, Executive Committee

LEWIS H. M. AYRE

***ROBERT F. CHISHOLM**

***THOMAS G. McCORMACK**

***E. P. TAYLOR**

**Executive Committee*

***STEWART G. BENNETT**

PIERRE PAUL DAIGLE

***COL. MAXWELL C. G. MEIGHEN**

***GEORGE M. BLACK, JR.**

***MAJ.-GEN. A. BRUCE MATTHEWS**

ANDRE MONAST, Q.C.

E. CLIFFORD WENT

Corporate Management

THOMAS G. McCORMACK

President and Chief Executive Officer

ROBERT F. CHISHOLM

Executive Vice-President

ALEXANDER A. J. LEWIS

Vice-President, Operations

A. WILLIAM TOMLIN

Comptroller, Corporate Finance

JOSEPH VOIGT

*Vice-President
Merchandising*

IVOR CRIMP

Vice-President, Corporate Projects

NATHANIEL H. SHAW, Q.C.

Vice-President and General Counsel

E. CLIFFORD WENT

*Vice-President, Personnel
and Labour Relations*

THOMAS G. BOLTON

Vice-President, Corporate Planning

NELSON W. LANCASTER

Comptroller, Operations

WILLIAM J. STEWART

Secretary

Divisional Management

W. FRANK CAPSTICK

Southern Ontario

ALBERT DAVID

Quebec, Eastern Ontario and Labrador

CHARLES T. E. HALSEY

Western Provinces

ROBERT H. JARDINE

Atlantic Provinces

RUSSELL L. NETHERTON

Northern and South-Western Ontario

District Management

ELTON C. HAINES

St. John's, Nfld.

JOHN A. HIGGINSON

Toronto, Ontario

JAMES A. MALCOLM

Sudbury, Ontario

RÉAL BROUILLETTE

Quebec, Quebec

RONALD C. HYNE

Hamilton, Ontario

PERCY M. MONTFORD

Saint John, N.B.

JOHN N. CAMPBELL

Toronto, Ontario

ALLEN C. JACKSON

Montreal, Quebec

JOHN I. QUINN

Windsor, Ontario

JAMES F. EARLE

Halifax, N.S.

RAYMOND LUCYSHYN

Winnipeg, Man.

GILBERT VIENNEAU

Ottawa, Ontario

WILLIAM WADDINGTON

Calgary, Alta.

Special Management

CHARLES H. ABRAY

Director, Development and Expansion

ERVIN F. CAVEN

Director, Labour Relations

STANLEY P. GIBSON

Director, General Merchandise

EDWARD D. HARVISON

Director, Public Relations

J. SKIFFINGTON MURCHIE

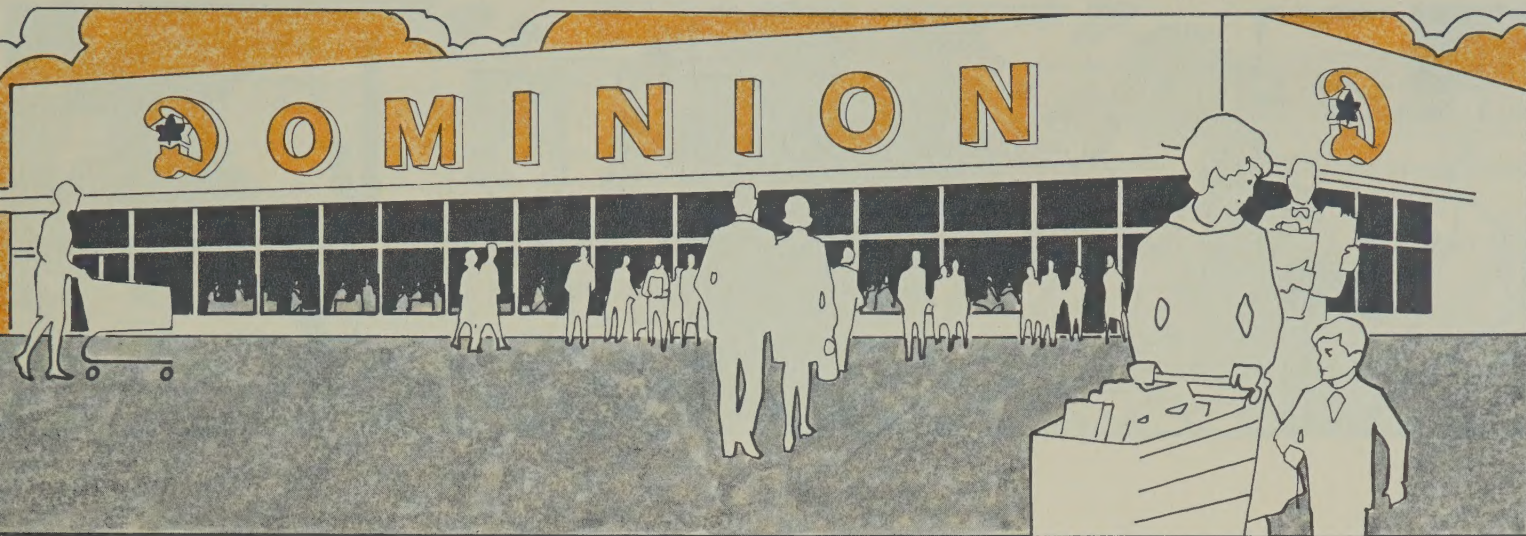
Director, Merchandise Planning

RICHARD J. O'BRIEN

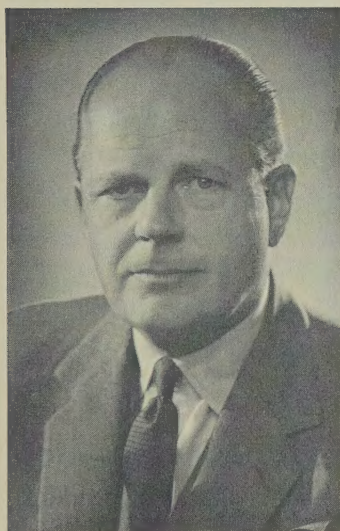
Director, Advertising and Promotions

THOMAS THOMSON

Director, Plant Operations



Annual Report To Our Shareholders



JOHN A. McDOUGALD



THOMAS G. McCORMACK

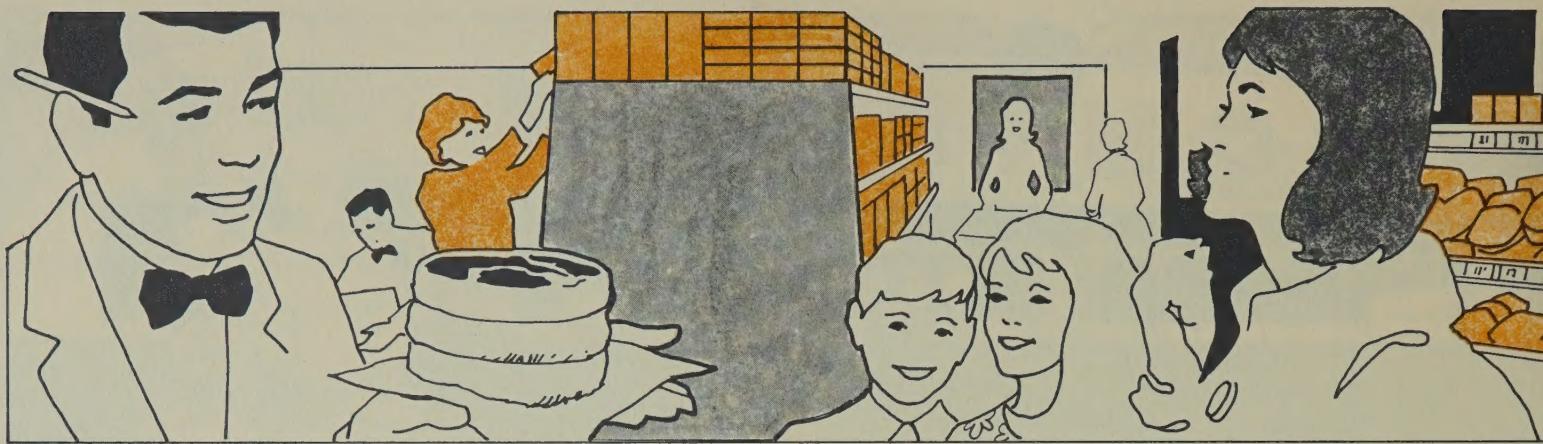
The most significant results of the fiscal year which ended March 23, 1968, fall into two categories, tangible and intangible. The tangible results are outlined in the balance sheet, the tables and the graphs which appear on the following pages. They show increased sales, increased earnings, a resumption of the march forward which had been briefly interrupted in the previous year. More important, perhaps, in the long run,

was the chief intangible result — the development of a closer rapport and understanding between your company and its hundreds of thousands of customers; a more successful effort to meet the consumer's desire for greater economy in food purchasing while maintaining full service; a fuller appreciation by the consumer of our attempts to provide her with fine products in pleasant surroundings, with friendliness and consideration.

The successes of the year, both in service to the public and in obtaining a suitable return for shareholders, were accomplished in the face of a disappointing performance by the economy.

The twelve months covered in this annual report were marked by a continuation of the inflationary pressures which had developed in the preceding year. Inevitably, there were increases in your company's costs of operation. At the same time, competition within the supermarket industry intensified. Consumers were faced with increasing expenditures on the other necessities of life — clothing, transportation, and most noticeably, housing. In spite of all these pressures, the company obtained considerable improvements over the previous year's results.

The continuing failure of government to control its spending and to restrain the constant rise in taxation on all levels continues to be the most serious source of



instability in the economy and the cause of most of the inflationary movement. There appears to be greater public awareness of government's responsibility in such matters and acceptance of the fact that, where food price increases have occurred, pressures originating with government have been among the chief causes.

Your directors wish to report on the success of a unique and satisfying undertaking in Centennial year; its student essay contest conducted in partnership with the administration of Expo '67. The 400 young winners from across Canada were guests of your company in Montreal during the summer. They returned to their homes with a deeper understanding of their country in its diversity and its unity. In the year ahead each of them will contribute more fully, as a result of this experience, to our country's growth, progress and harmony.

Earnings

After providing \$12,021,000 for federal and provincial taxes on income and \$6,739,000 for depreciation, net earnings for the fiscal year under review amounted to \$10,508,000, an increase of \$1,083,000 or 11.49% over the previous year's net earnings of \$9,425,000. Net profit was equal to \$1.30 per share compared with \$1.16 per share in the previous year ended March 18, 1967. The net profit on each dollar of sales was equal to 1.80 cents compared with the 1.73 cents reported the previous year.

Dividends

Quarterly dividends of 18¢ each were paid to shareholders on the 15th of June, September and December, 1967 and on the 15th of March, 1968. This amounted to 72¢ per share, the same as the previous year. Total dividends paid amounted to \$5,813,000.

Financial Resources

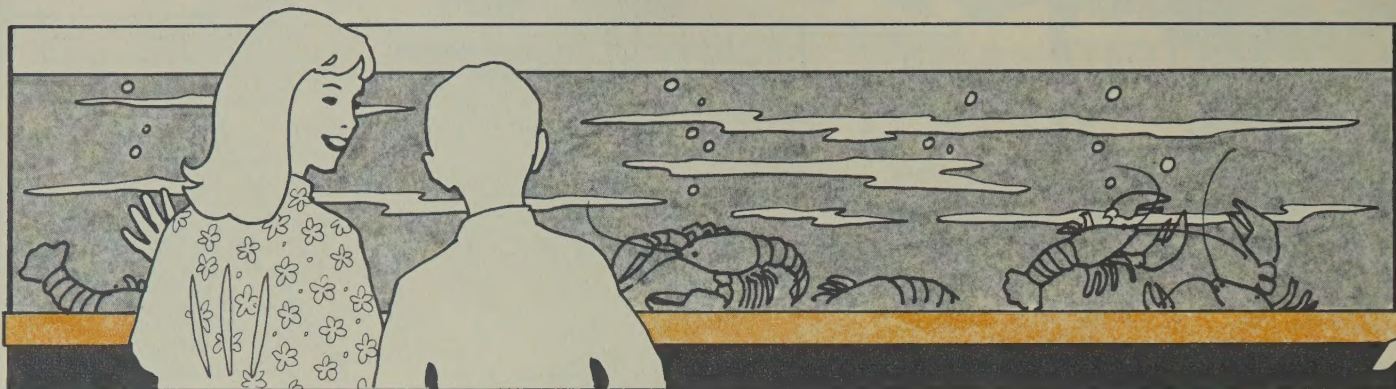
Your company maintained its strong financial position throughout the year. Working capital amounted to \$25,662,000 as at March 23, 1968. Earnings for the year in excess of dividend requirements amounted to \$4,695,000 which will be used for the continued development of the business. Total reinvested earnings at March 23, 1968 amounted to \$59,640,000. Shareholders' equity or net worth of the company at the end of the fiscal year amounted to \$75,328,000.

Construction is underway on the new Toronto distribution centre and is at present slightly ahead of schedule. Approximately \$8,900,000 will be required to complete and equip this project. It is expected that this will be financed out of earnings and other current resources.

Sales

For the 27th consecutive year sales volume established a new record. For the 53 weeks ended March 23, 1968 sales amounted to \$584,192,000, an increase of \$40,720,000 or 7.49% over sales of \$543,472,000 in the 52 weeks ended March 18, 1967.





Our success in this endeavour results in benefits to many facets of the Canadian economy — labour, transportation services, the producer, the processor, the investor, suppliers of various forms of services and supplies, and above all, the consumer.

The trend today is towards closer business-government relations. The consumer services programmes established by governments should be developed in close co-operation with the food industry to eliminate waste and misunderstanding. We recognize that the environment has changed and today consumer and government relations represent an important part of your company's responsibility.

J. Scott Feggans

It is with regret that we record the death in June of 1967 of J. Scott Feggans, Vice-President of Advertising and Public Relations. Mr. Feggans was a distinguished and valued member of the Executive Management of the Company, greatly esteemed by all who knew and worked with him. His experience and counsel will be greatly missed.

Annual Meeting

The Annual Meeting of shareholders will be held at the Head Office of the Company, 605 Rogers Road, Toronto, on Thursday, the 27th day of June, at the hour of 10.30 a.m.

In Appreciation

Your Board of Directors extends its appreciation to the vast numbers of loyal customers who find Dominion a satisfying and courteous place to shop. We could not exist without their continuing support. We also acknowledge the efforts and loyalty of our many thousands of employees, both full-time and part-time, who fulfilled their responsibilities with interest and enthusiasm. We are also grateful for the co-operation of our many dependable suppliers and for the support of our shareholders.

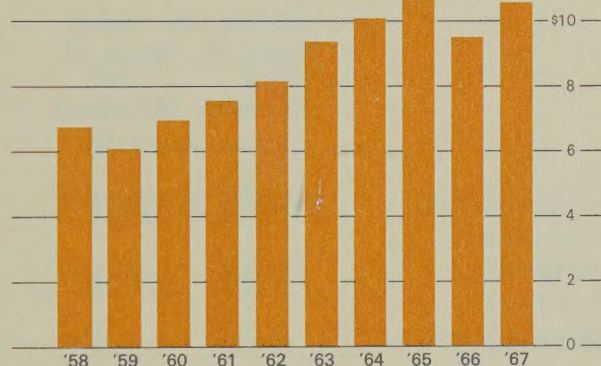
For the Board of Directors,

JOHN A. McDOUGALD,
Chairman of the Board

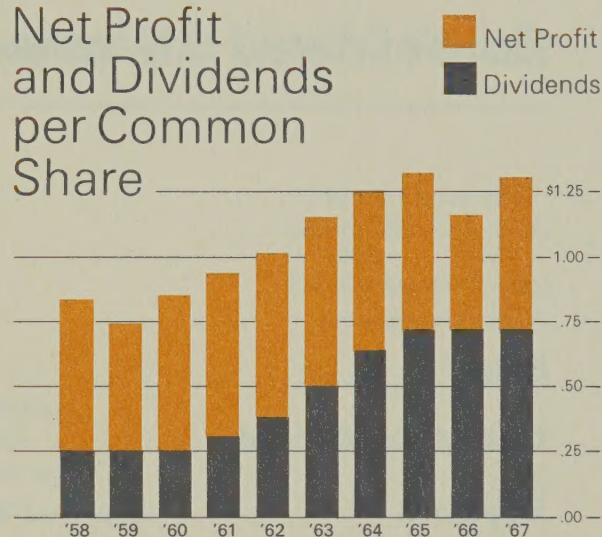
THOMAS G. McCORMACK,
President



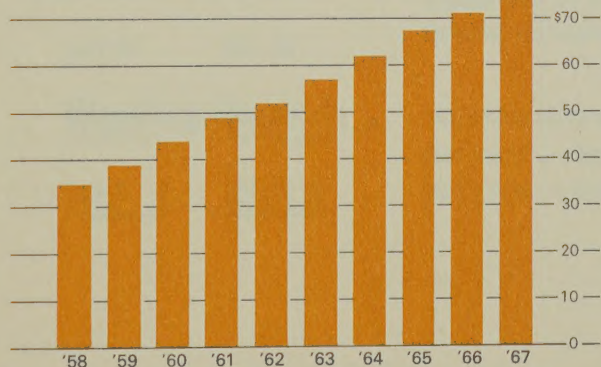
Growth
of Net Profit
in Millions



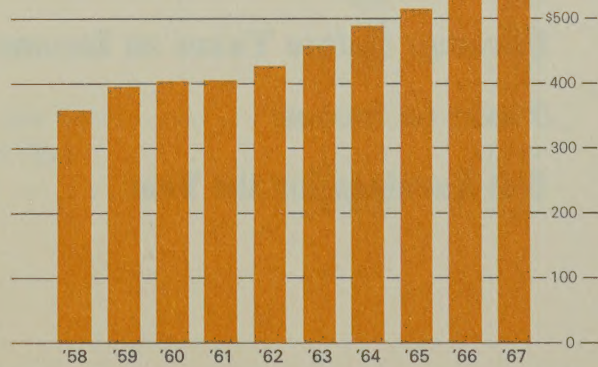
Net Profit
and Dividends
per Common
Share

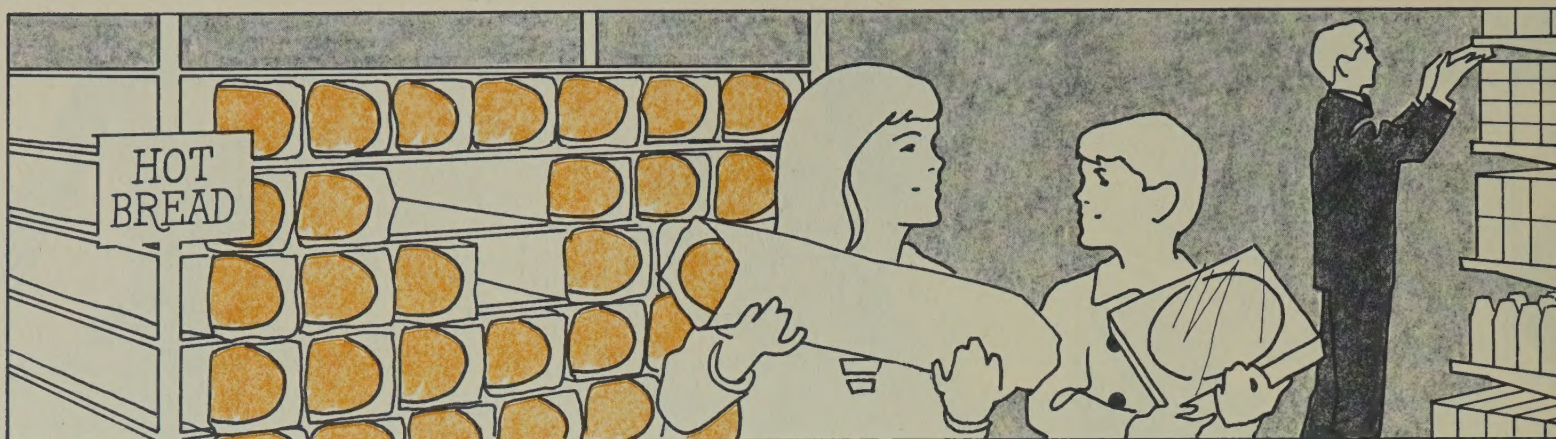


Growth
of Net Worth
in Millions



Growth
of Sales
in Millions





Consolidated Statement of Earnings

		For the years ended	
		March 23, 1968	March 18, 1967
		(53 weeks)	(52 weeks)
		(in thousands of dollars)	
Sales	.....	\$584,192	\$543,472
Cost of Goods Sold	.....	450,026	422,816
Expenses			
	Employees' salaries and benefits (note 1)	69,509	61,329
	Rent, light, heat, telephone, laundry, repairs and maintenance	23,214	20,634
	Other expenses, including advertising	9,286	10,547
	Depreciation on buildings and equipment (note 4)	6,739	6,012
	Business taxes, licenses and insurance	2,506	2,122
	Interest expense	690	635
	Interest income	(307)	(377)
		<u>111,637</u>	<u>100,902</u>
Earnings Before Taxes on Income	.....	22,529	19,754
Taxes on Income	.....	12,021	10,329
Net Earnings for the Year	.....	<u>\$ 10,508</u>	<u>\$ 9,425</u>



Consolidated Statement of Source and Use of Funds

For the years ended
 March 23, 1968 March 18, 1967
 (53 weeks) (52 weeks)
(in thousands of dollars)

Source of Funds

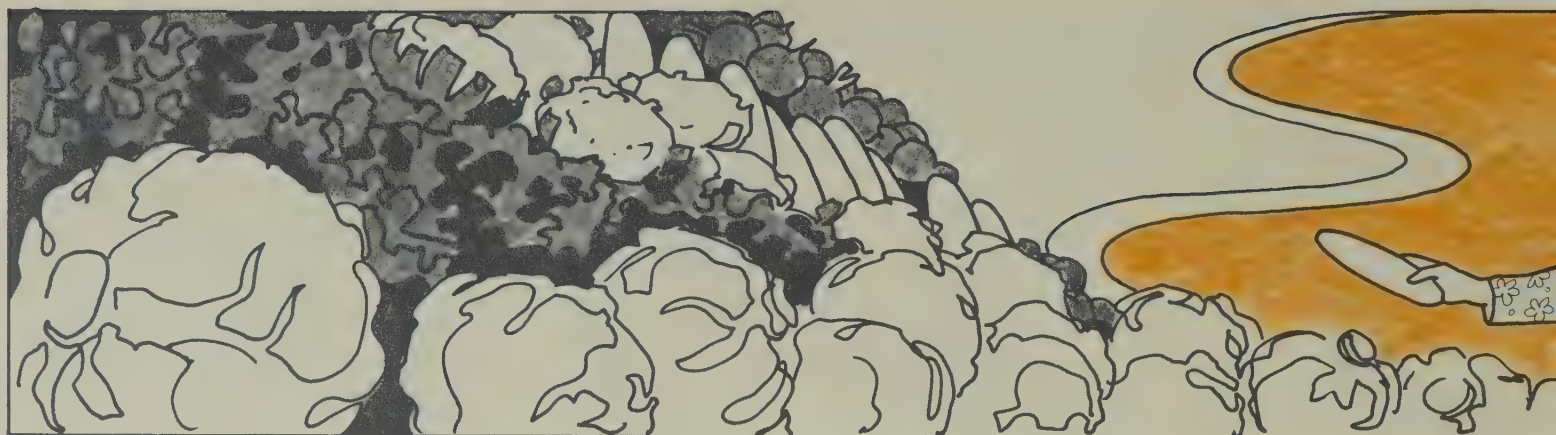
Net earnings for the year	\$10,508	\$ 9,425
Charges not requiring cash outlay:		
Depreciation on fixed assets	6,739	6,012
Provision for future income taxes	135	365
Funds generated from operations	<u>17,382</u>	<u>15,802</u>
Disposal of land, buildings and equipment	1,903	3,456
Sale of 3,532 shares of common stock under the stock option plan	—	71
Portion of mortgages receivable transferred from non-current	517	—
	<u>19,802</u>	<u>19,329</u>

Use of Funds

Investment in land, buildings and equipment	10,605	14,716
Dividends paid to shareholders	5,813	5,812
Net increase in non-current mortgages receivable	—	796
Reduction of long-term debt	988	750
Special refundable tax paid	52	686
	<u>17,458</u>	<u>22,760</u>

Working Capital

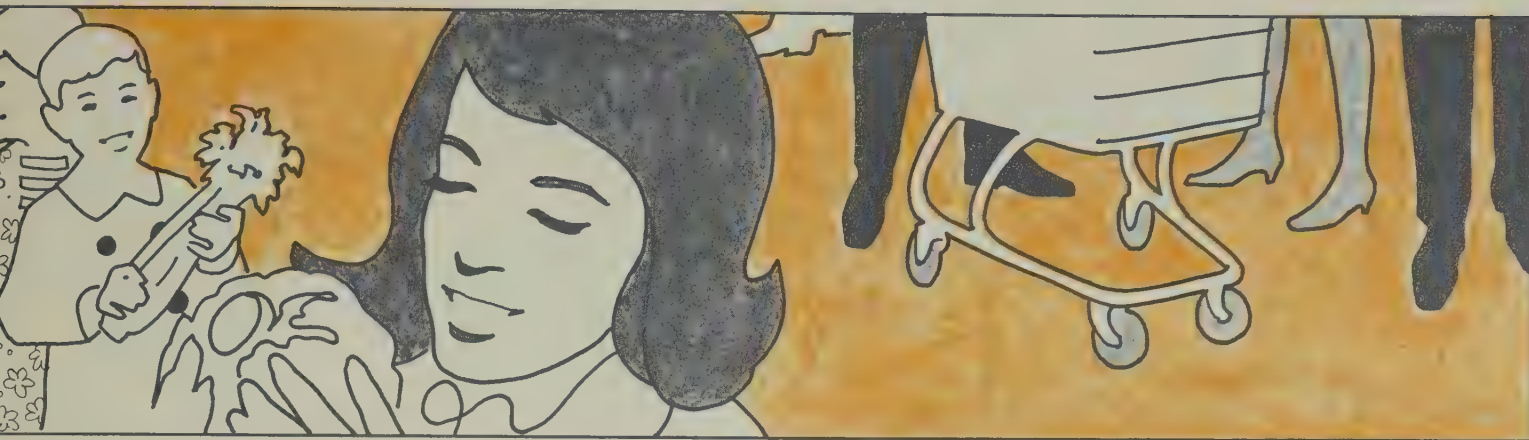
INCREASE (DECREASE) DURING THE YEAR	2,344	(3,431)
BALANCE — BEGINNING OF THE YEAR	23,318	26,749
BALANCE — END OF THE YEAR	<u>\$25,662</u>	<u>\$23,318</u>



Consolidated Balance Sheet as at March 23, 1968

Assets

	March 23, 1968	March 18, 1967
	<i>(in thousands of dollars)</i>	
CURRENT:		
Cash	\$ 6,844	\$ 6,401
Marketable investments — at cost (note 2)	4,414	2,258
Accounts receivable	1,448	1,241
Mortgages receivable	629	871
Merchandise — valued at the lower of cost and market (note 3)	37,074	33,227
Prepaid expenses	1,038	995
	<u>51,447</u>	<u>44,993</u>
SPECIAL REFUNDABLE TAX	<u>738</u>	<u>686</u>
MORTGAGES RECEIVABLE	<u>543</u>	<u>1,060</u>
FIXED ASSETS — at cost (note 4):		
Store, warehouse and office equipment	70,987	67,733
Buildings and leasehold improvements	23,992	22,951
	<u>94,979</u>	<u>90,684</u>
Accumulated depreciation	42,021	39,417
	<u>52,958</u>	<u>51,267</u>
Land	10,474	10,202
	<u>63,432</u>	<u>61,469</u>
	<u>\$116,160</u>	<u>\$108,208</u>

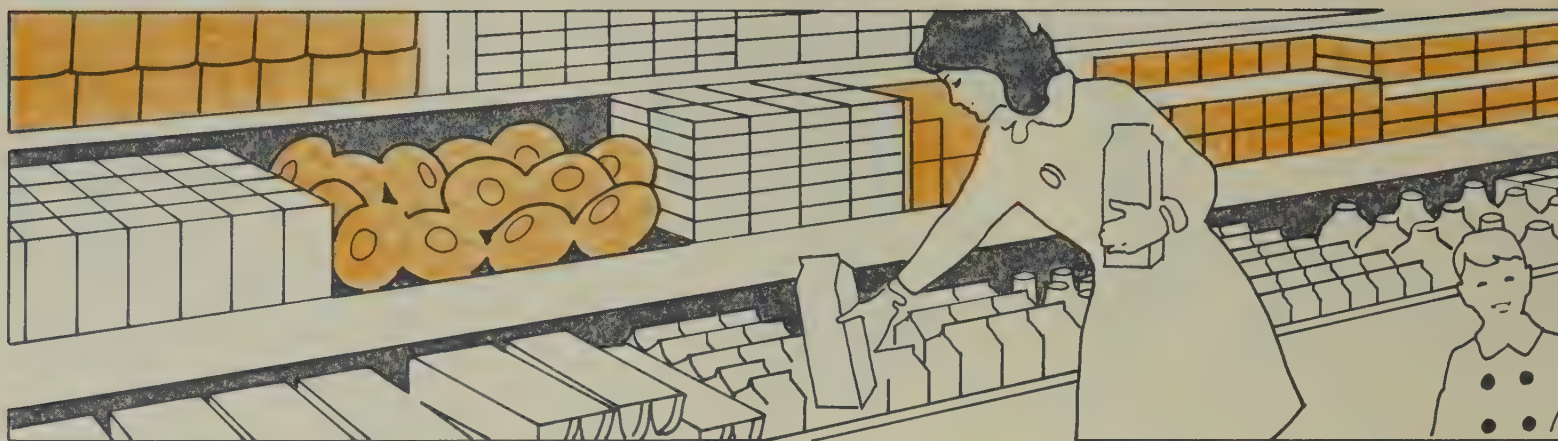


Liabilities

	March 23, 1968	March 18, 1967
	<i>(in thousands of dollars)</i>	
CURRENT:		
Accounts payable and accrued expenses	\$ 17,119	\$ 17,021
Income and sundry taxes	7,916	3,904
Sinking fund instalments due within one year	750	750
	<u>25,785</u>	<u>21,675</u>
PROVISION FOR FUTURE INCOME TAXES (note 4)	<u>4,040</u>	<u>3,905</u>
FUNDED DEBT (note 5)	<u>11,007</u>	<u>11,995</u>
CAPITAL STOCK (note 6):		
Authorized — 20,000,000 common shares without nominal or par value.		
Issued and fully paid — 8,073,027 shares	<u>15,688</u>	<u>15,688</u>
REINVESTED EARNINGS:		
Balance at beginning of the year	54,945	51,332
Net earnings for the year	10,508	9,425
Dividends to shareholders	<u>(5,813)</u>	<u>(5,812)</u>
Reinvested earnings	<u>59,640</u>	<u>54,945</u>
SHAREHOLDERS' EQUITY	<u>75,328</u>	<u>70,633</u>
	<u>\$116,160</u>	<u>\$108,208</u>

Signed on behalf of the Board—

JOHN A. McDOUGALD, THOMAS G. McCORMACK,
Directors



Notes to Financial Statements

1. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Expenses include \$380,000 (last year \$368,000) for remuneration of the Company's directors including those directors who are also officers and \$317,000 (last year \$238,000) for remuneration of other senior officers.

2. MARKETABLE INVESTMENTS

The quoted value of marketable investments at March 23, 1968 was \$3,831,000 (last year \$2,041,000).

3. MERCHANDISE

Merchandise is located at both stores and warehouses. The term market value as it applies to store inventories means "net realizable value" and to warehouse inventories "replacement cost".

4. FIXED ASSETS

Recorded depreciation has been computed on a straight-line basis to amortize the cost of the assets over their estimated useful life. The Company has continued to claim maximum allowances for income tax purposes.

5. FUNDED DEBT

	March 23, 1968	March 18, 1967
Redeemable Sinking Fund		
Debentures		
5% Series "A"—		
maturing May 1, 1972..	\$ 1,822,000	\$ 2,060,000
4¼% Series "B"—		
maturing November 1,		
1975.....	5,500,000	5,930,000
5½% Series "C"—		
maturing December 1,		
1976.....	4,435,000	4,755,000
	<u>11,757,000</u>	<u>12,745,000</u>
Deduct: Sinking fund instal-		
ments due within		
one year, included in		
current liabilities..	750,000	750,000
	<u>\$11,007,000</u>	<u>\$11,995,000</u>

The amounts remaining to be paid in the next five fiscal years to meet the sinking fund and retirement provisions of the funded debt are:

Fiscal years ending March 1969.....	\$ 750,000
1970.....	\$ 932,000
1971.....	\$ 960,000
1972.....	\$ 960,000
1973.....	\$1,970,000

6. STOCK OPTION PLAN

Of the 300,000 unissued common shares reserved under the employees' stock option plan on June 23, 1964 there were 103,015 unallotted shares at March 23, 1968. Included therein are 19,505 shares which had been allotted but the options were allowed to lapse.

At March 23, 1968 there were unexercised options covering 168,658 shares (including directors' or officers' 20,085 shares) at \$20.25 which expire on June 22, 1969 and 5,300 shares at \$24.50 which expire on June 22, 1970.

7. LONG-TERM LEASES

The total minimum rental liability under leases (excluding insurance, property taxes and certain other occupancy charges) to the date of expiry or option, whichever occurs first, for each of the periods shown below, is as follows:

	March 23, 1968	March 18, 1967
Within 10 years.....	\$ 65,960,000	\$ 65,550,000
Within the next 5 years.....	26,142,000	25,148,000
Within the next 5 years.....	16,892,000	17,963,000
Within the remainder of		
the term.....	5,043,000	5,778,000
	<u>\$114,037,000</u>	<u>\$114,439,000</u>
Minimum annual rentals pay-		
able under such leases are	<u>\$ 10,821,000</u>	<u>\$ 10,331,000</u>

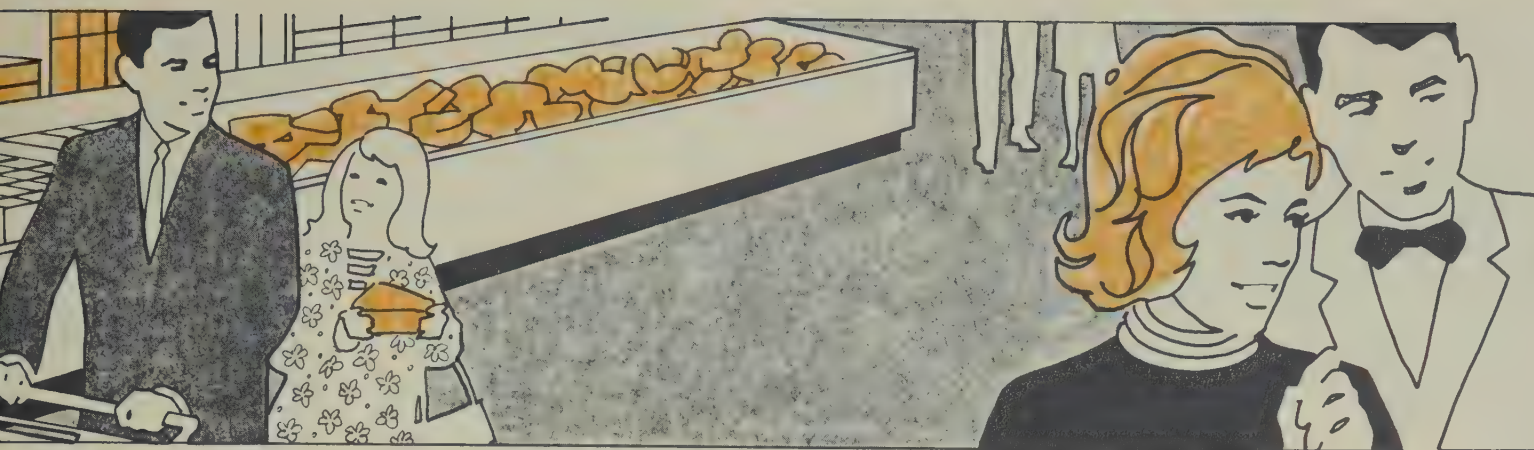
Certain leases contain an option to cancel. Should the Company exercise these options, it could be required to purchase the related properties.

8. PENSION PLAN

The estimated unfunded liability under the pension plan as of October 31, 1967 amounted to \$10,886,000 which will be paid over the next 22 years by means of annual instalments of approximately \$772,000.

9. CAPITAL COMMITMENTS

The Company is undertaking the construction of a new distribution centre at an estimated total cost of \$8,900,000 of which commitments in the amount of \$7,400,000 have been made. It is estimated that this expenditure will be financed from earnings and other current resources.



Auditors' Report

McDONALD, CURRIE & CO.

CHARTERED ACCOUNTANTS

120 Adelaide St. West,
Toronto.

We have examined the consolidated balance sheet of Dominion Stores Limited and its subsidiaries as at March 23, 1968 and the consolidated statements of earnings and source and use of funds for the fiscal year then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at March 23, 1968 and the results of their operations and the source and use of their funds for the fiscal year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDonald Currie & Co.

Chartered Accountants

April 9, 1968

Distribution of Income

for the fiscal year ended March 23, 1968

(in thousands of dollars)

	\$	%
Sales		
Total income increased 7.49% over the previous year, to.....	584,192	100.00
Paid to Suppliers		
Purchases from farmers, producers, packers, manufacturers and other suppliers were increased 6.4% over the year, to.....	450,026	77.03
Paid to Employees		
Salaries and other employee benefits were increased 13.3% over the previous year, to.....	69,509	11.90
Operational Costs		
Rents, local taxes, licenses, insurance, light, heat, water, telephone, laundry, maintenance, depreciation on buildings and equipment, advertising, debenture interest and other expenses, totalled..	42,128	7.21
Taxes on Income		
Taxes on income payable to Federal and Provincial Governments amounted to.....	12,021	2.06
Paid to Shareholders		
Equal to 72¢ per share, dividends to shareholders amounted to.....	5,813	1.00
Reinvested in the Business		
The balance available from the year's operations to provide for continued development and for working capital requirements was.....	4,695	.80



Ten Year Financial Summary *dollars in millions*

As at fiscal years ended March:	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959
TOTAL ASSETS	\$116.1	\$108.2	\$104.3	\$ 97.8	\$ 93.4	\$ 86.7	\$ 84.3	\$ 80.1	\$ 77.7	\$ 74.1
CURRENT ASSETS	\$ 51.5	\$ 45.0	\$ 47.8	\$ 44.5	\$ 47.5	\$ 43.6	\$ 42.1	\$ 37.9	\$ 35.3	\$ 39.2
CURRENT LIABILITIES	25.8	21.7	21.1	19.8	20.4	18.1	16.8	16.5	18.1	18.2
WORKING CAPITAL	\$ 25.7	\$ 23.3	\$ 26.7	\$ 24.7	\$ 27.1	\$ 25.5	\$ 25.3	\$ 21.4	\$ 17.2	\$ 21.0
Working Capital Ratio	2.0	2.1	2.3	2.2	2.3	2.4	2.5	2.3	2.0	2.2
OTHER ASSETS	\$ 1.2	\$ 1.7	\$.3	\$.3	\$.7	\$.8	\$.8	\$.9	\$.5	\$ —
NET FIXED ASSETS	63.4	61.5	56.2	53.0	45.2	42.3	41.4	41.3	41.9	34.9
PROVISION FOR FUTURE INCOME TAXES . .	4.0	3.9	3.5	3.1	2.7	2.6	2.6	2.5	2.3	1.7
FUNDED DEBT (excludes current portion)	11.0	12.0	12.8	13.0	13.5	14.5	16.4	17.7	18.7	19.7
BOOK VALUE OF SHAREHOLDERS'										
INVESTMENT IN THE BUSINESS	\$ 75.3	\$ 70.6	\$ 66.9	\$ 61.9	\$ 56.8	\$ 51.5	\$ 48.5	\$ 43.4	\$ 38.6	\$ 34.5
Accounted for as follows —										
Capital stock	\$ 15.7	\$ 15.7	\$ 15.6	\$ 15.4	\$ 15.2	\$ 15.2	\$ 15.2	\$ 15.2	\$ 15.2	\$ 15.2
Reinvested earnings	\$ 59.6	\$ 54.9	\$ 51.3	\$ 46.5	\$ 41.6	\$ 36.3	\$ 33.3	\$ 28.2	\$ 23.4	\$ 19.3
NUMBER OF SHARES OUTSTANDING										
(000 Omitted)	8,073	8,073	8,069	8,058	8,050	8,050	8,050	8,050	8,050	8,050
NUMBER OF SHAREHOLDERS	11,241	10,895	10,053	9,758	9,084	9,317	8,550	3,772	4,052	3,450
CAPITAL EXPENDITURES	\$ 10.6	\$ 14.7	\$ 13.9	\$ 16.0	\$ 9.1	\$ 7.0	\$ 5.7	\$ 10.7	\$ 19.2	\$ 13.0

NOTE: Number of shares outstanding (March 1961 and prior) adjusted to reflect August 1, 1961 stock split.

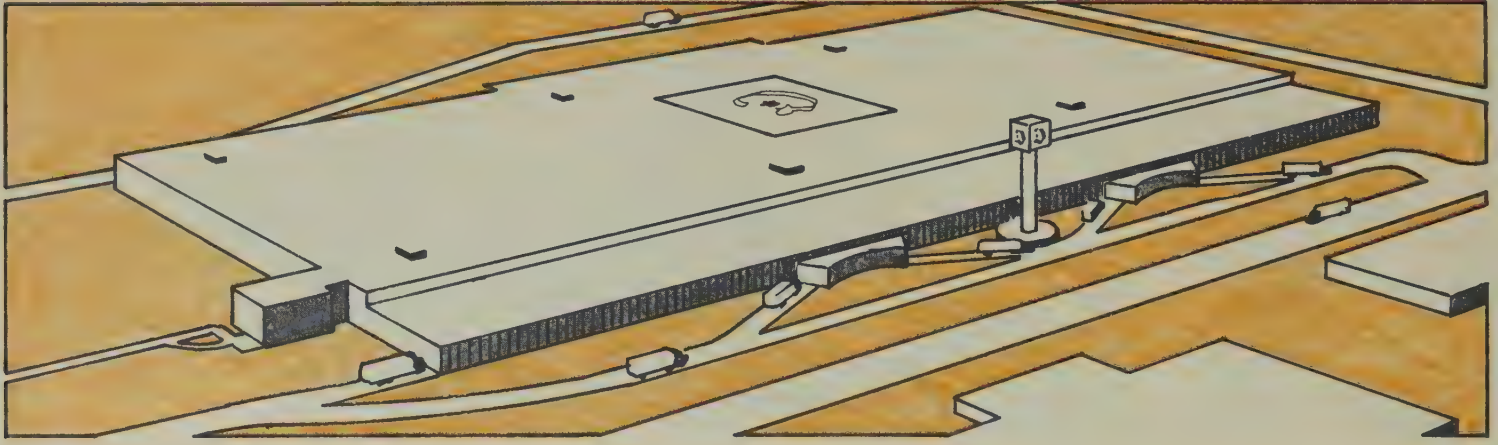


Ten Year Statement of Earnings *dollars in millions*

For the fiscal years ended March:	1968*	1967	1966	1965	1964	1963*	1962	1961	1960	1959
SALES.....	\$584.2	\$543.5	\$513.7	\$487.7	\$459.3	\$427.0	\$408.2	\$400.9	\$388.4	\$356.4
EXPENSES:										
Total expenses other than items shown below . .	\$ 35.4	\$ 33.6	\$ 30.3	\$ 27.1	\$ 26.0	\$ 23.8	\$ 22.3	\$ 21.0	\$ 19.3	\$ 15.8
Employees' salaries and benefits	69.5	61.3	53.8	50.0	44.6	41.0	38.3	36.8	34.9	30.6
Depreciation on buildings and equipment	6.7	6.0	5.9	5.3	4.8	4.5	4.4	4.3	3.7	3.2
Total expenses	\$111.6	\$100.9	\$ 90.0	\$ 82.4	\$ 75.4	\$ 69.3	\$ 65.0	\$ 62.1	\$ 57.9	\$ 49.6
EARNINGS BEFORE TAXES ON INCOME . . .	\$ 22.5	\$ 19.7	\$ 21.7	\$ 21.0	\$ 19.4	\$ 16.7	\$ 15.3	\$ 14.4	\$ 12.2	\$ 13.2
Per dollar of sales	3.86¢	3.63¢	4.21¢	4.30¢	4.23¢	3.92¢	3.74¢	3.58¢	3.15¢	3.72¢
TAXES ON INCOME	\$ 12.0	\$ 10.3	\$ 11.0	\$ 10.9	\$ 10.1	\$ 8.6	\$ 7.8	\$ 7.5	\$ 6.2	\$ 6.5
Per dollar of sales	2.06¢	1.90¢	2.14¢	2.23¢	2.20¢	2.02¢	1.90¢	1.87¢	1.60¢	1.83¢
NET EARNINGS	\$ 10.5	\$ 9.4	\$ 10.7	\$ 10.1	\$ 9.3	\$ 8.1	\$ 7.5	\$ 6.9	\$ 6.0	\$ 6.7
Per dollar of sales	1.80¢	1.73¢	2.07¢	2.07¢	2.03¢	1.90¢	1.84¢	1.71¢	1.55¢	1.89¢
Per share	\$ 1.30	\$ 1.16	\$ 1.32	\$ 1.25	\$ 1.15	\$ 1.01	\$.93	\$.85	\$.74	\$.83
DIVIDENDS	\$ 5.8	\$ 5.8	\$ 5.8	\$ 5.2	\$ 4.0	\$ 3.1	\$ 2.4	\$ 2.0	\$ 2.0	\$ 2.0
Per share	72¢	72¢	72¢	64¢	50¢	38¢	30¼¢	25¢	25¢	25¢
NUMBER OF EMPLOYEES — full time	8,966	8,766	8,437	8,023	7,900	7,280	7,356	7,295	7,429	7,426
— part time	7,750	7,587	8,125	7,159	7,587	6,416	6,862	6,155	6,102	6,298
	16,716	16,353	16,562	15,182	15,487	13,696	14,218	13,450	13,531	13,724
NUMBER OF STORES OPENED DURING YEAR	13	23	26	29	18	17	10	26	30	18
NUMBER OF STORES AT END OF YEAR . . .	381	380	377	380	368	363	355	358	351	342

*53 Weeks

NOTE: Net earnings per share (March 1961 and prior) adjusted to reflect August 1, 1961 stock split



Our Distribution Centre

Your Company has embarked on the construction of an \$8.9 million food distribution centre in Metropolitan Toronto which will set new standards of efficiency for the supermarket industry.

The centre will be located near the intersections of Highways No. 5 and 27 in suburban Etobicoke. From here, more than 200 supermarkets in Ontario will be served.

Site of the centre covers 75 acres. The building itself will have a floor area of 600,000 square feet. Its location, midway between the Queen Elizabeth Highway and the Macdonald-Cartier Freeway, will provide quick access to the main routes that cross Ontario.

Up to 72 trucks will be able to load and unload at one time at the new centre. The centre's location, traffic control system and extensive computerization will make it the most modern facility of its kind in North America when it goes into operation in May, 1969.

The large site also provides ample room for expansion of the main building, as well as for the addition of other auxiliary buildings.

A. D. Margison and Associates are consulting professional engineers for the project. Pigott Construction Company Limited is the general contractor. Materials handling and physical distribution consultants are Drake, Sheahan, Sweeney and Hupp.

The new centre is a part of the constant endeavour of your Company to maintain its high level of efficiency. This policy benefits both consumers and shareholders, and is one of the many reasons why your Company continues its leadership in sales to the public.



Dominion Stores Limited

Incorporated under the laws of Canada

Head Office:

605 Rogers Road,
Toronto 15

District Offices:

St. John's, Nfld.
Halifax, N.S.
Saint John, N.B.
Quebec, Que.
Montreal, Que.
Ottawa, Ont.
Toronto, Ont.
Hamilton, Ont.
Windsor, Ont.
Sudbury, Ont.
Winnipeg, Man.
Calgary, Alta.

Board of Directors—Affiliations

John A. McDougald

Chairman of the Board & Chairman, Executive Committee —
Dominion Stores Limited

Chairman and President — Crown Trust Company

Chairman of the Executive Committee and Vice President —
Argus Corporation Limited

Hollinger Consolidated Gold Mines Ltd

Director and member of the Executive Committee —
Canadian Imperial Bank of Commerce

Massey-Ferguson Limited

Thomas G. McCormack

President and Chief Executive Officer —
Dominion Stores Limited

Director — Argus Corporation Limited

1968 Royal Agricultural Winter Fair

Lewis H. M. Ayre

Chairman and President — Ayre and Sons Limited

Chairman — Ayres Limited

The Avalon Telephone Company Limited,

Director — The Bank of Nova Scotia

Stewart G. Bennett

Director — Canada Packers Limited

Canada Permanent Trust Company

Industrial Acceptance Corporation Ltd.

Phoenix Assurance Company

George M. Black, Jr.

Director and member of the Executive Committee —
Argus Corporation Limited

Canadian Imperial Bank of Commerce

Director — Confederation Life Association

Robert F. Chisholm

Executive Vice-President — Dominion Stores Limited

Director — Confederation Life Association

R. L. Crain Limited

Thompson Paper Box Company Limited

Governor — University of Toronto

President — Toronto Symphony Orchestra

Pierre Paul Daigle

Vice-President — Daigle & Paul Limited

Director — RCA Victor Company Limited

Traders Group Limited

Confederation Life Association

Goodyear Tire and Rubber Company of Canada

A. Bruce Matthews

Chairman — Excelsior Life Insurance Company

Canadian Breweries Limited

Vice President and Director — Argus Corporation Limited

The Toronto-Dominion Bank

Chairman — Toronto Western Hospital

Maxwell C. G. Meighen

President — Canadian General Investment Limited

Vice President — The Canada Trust Company

Director — The Algoma Steel Corporation Limited

Argus Corporation Limited

The Royal Bank of Canada

Andre Monast, Q.C.

Partner — St. Laurent, Monast, Desmeules and Walters

Director — Canadian Imperial Bank of Commerce

Churchill Falls (Labrador) Corporation Ltd.

Crown Trust Company

Noranda Mines Limited

E. P. Taylor

Chairman — The New Providence Development Company Limited

President — Argus Corporation Limited

Chairman, Executive Committee — Massey-Ferguson Limited

Director — British Columbia Forest Products Limited

Canadian Breweries Limited

Domtar Limited

The Royal Bank of Canada

E. Clifford Went

Vice President — Dominion Stores Limited

The Aim

of Dominion Stores Limited is to fulfil with
ever-increasing efficiency its responsibility as a
distributor of food thereby performing
a satisfactory service to the consumer,
producer, manufacturer and processor; to discharge its
responsibility to shareholders whose investment makes
the company possible, and to provide its
employees with a satisfactory living
under the best possible conditions.



DOMINION STORES LIMITED

Semi- Annual Report

FOR THE 26 WEEKS ENDED SEPTEMBER 21, 1968



Half-year highlights

	26 Weeks Ended	
	Sept. 21, 1968	Sept. 16, 1967
SALES	\$293,490,064	\$277,221,722
OPERATING PROFIT	\$ 12,903,363	\$ 14,142,863
Depreciation	3,489,310	3,502,381
Taxes on income	5,005,000	5,495,000
NET PROFIT	\$ 4,409,053	\$ 5,145,482
Per sales dollar	1.50¢	1.86¢
Per share	54¢	63¢
DIVIDENDS	\$ 2,906,290	\$ 2,906,290
Per share	36¢	36¢
Working capital	\$ 22,657,720	\$ 25,303,435
Working capital ratio	1.80	2.08
Total reinvested earnings	\$ 61,142,187	\$ 57,183,591
Shareholders' equity	\$ 76,830,686	\$ 72,872,050
Number of stores at end of period	383	384

To the Shareholders

OF DOMINION STORES LIMITED

In the first half of the current fiscal year ended September 21, 1968, your company achieved a notable increase in sales. At the same time, the company continued to face intense and conflicting pressures from two sources: from consumers anxious that price increases be avoided or restrained, and from the economic forces which seem inexorably to be pushing costs higher from month to month.

SALES:

While the intense competitive situation which has existed for some time in the food field continued unabated in the first half of the current fiscal year, Dominion made very satisfying progress in increasing its total sales by 5.87 per cent over the comparable period a year earlier. Total dollar volume of sales was \$293,490,064, an increase of \$16,268,342.

EARNINGS:

In spite of dramatic improvement in sales, earnings suffered a decline, largely due to the sharp increases in operating costs, particularly employee salaries and benefits. In addition, the Federal Government's three per cent surtax on corporation income tax resulted in a charge against profit of \$132,000. Because of these higher costs and taxes, net profit for the 26-week period decreased by \$736,429 compared with the same period last year. Net profit was \$4,409,053 or 54¢ per share. This compares with 63¢ per share in the first half of the previous year. Ratio of earnings to sales was 1.5 per cent.

DEVELOPMENT:

The expansion of your company's retail facilities proceeded as planned. Eight new supermarkets were opened in the first half of the year in Regina, Winnipeg, Toronto, Cobourg, Montreal (3) and Chicoutimi; six small outmoded stores were closed. At the end of the half-year, 383 stores were in operation. Nine additional stores were under construction and are expected to open within the year.

Construction of the new Distribution Centre in Metropolitan Toronto continued on schedule. As planned, it is expected to come into operation in May of 1969 and will provide many opportunities for increased efficiency in food distribution.

OUTLOOK:

In the intensified competitive situation which Dominion has faced in recent months, the management and staff of your company have demonstrated their continuing capacity to face new challenges and to carry forward, without interruption, the development and growth of Dominion as Canada's leading supermarket organization.

It is expected that the Canadian economy will continue its growth at a relatively moderate rate over the next few months. This, combined with the steady growth in population, will provide further opportunities for expansion of sales.

At Dominion, all costs of business are undergoing constant review, and an awareness has been created throughout the organization of the importance of adopting every feasible cost-saving method and approach which can be developed. New equipment and procedures which can contribute to operating efficiency are introduced as they become available.

Dominion will take no action which will compromise in any way the standards of quality and variety of available goods for which they are known to the public, nor will any step be taken which would affect the company's reputation for courteous, thoughtful and effective service. Any economy or aid to efficiency which does not involve a departure from these standards receives and will continue to receive consideration.

Your directors are confident that progressive administration policies and full consideration for the consumer's needs and interests provide the only reliable basis for future development in volume of business, in public acceptance and in increased earnings.

On behalf of the Board of Directors,

THOMAS G. McCORMACK,
President.

CONDENSED

Consolidated Balance Sheet

	Sept. 21, 1968	March 23, 1968
	<i>(In thousands of dollars)</i>	
ASSETS		
CURRENT:		
Cash and investments.....	\$ 9,111	\$ 11,258
Merchandise.....	37,953	37,074
Other current assets.....	4,014	3,115
	<u>51,078</u>	<u>51,447</u>
OTHER ASSETS.....	933	1,281
NET FIXED ASSETS—at cost	67,950	63,432
	<u>\$119,961</u>	<u>\$116,160</u>
LIABILITIES		
CURRENT:		
Bank loan.....	\$ 2,650	\$ —
Accounts payable.....	19,184	17,119
Other current liabilities.....	6,586	8,666
	<u>28,420</u>	<u>25,785</u>
FUTURE INCOME TAXES.....	4,040	4,040
FUNDED DEBT.....	10,671	11,007
CAPITAL STOCK.....	15,688	15,688
REINVESTED EARNINGS.....	61,142	59,640
	<u>\$119,961</u>	<u>\$116,160</u>

CONSOLIDATED STATEMENT OF

Source and Use of Funds

	For the 26 Weeks Ended	
	Sept. 21, 1968	Sept. 16, 1967
	<i>(In thousands of dollars)</i>	
SOURCE OF FUNDS		
Net earnings for the 26 weeks.....	\$ 4,409	\$ 5,146
Depreciation.....	3,489	3,502
Funds generated from operations.....	7,898	8,648
Disposal of fixed assets.....	531	135
Special refundable tax.....	670	(62)
	<u>9,099</u>	<u>8,721</u>
USE OF FUNDS		
Investment in fixed assets.....	8,538	4,089
Dividends.....	2,907	2,907
Long term debt.....	336	210
Mortgages receivable.....	322	(470)
	<u>12,103</u>	<u>6,736</u>
WORKING CAPITAL		
Increase (Decrease) during the 26 weeks....	(3,004)	1,985
Balance—Beginning of the year.....	25,662	23,318
Balance—End of the half-year.....	<u>\$22,658</u>	<u>\$25,303</u>

Bilan consolidé EN ABRÉGÉ

ACTIF		21 sept. 1968		23 mars 1968	
(en milliers de dollars)					
DISPONIBILITÉS:					
Encaisse et placements.....	\$ 9,111	\$ 11,258			
Marchandises.....	37,953	37,074			
Autres disponibilités.....	4,014	3,115			
	51,078	51,447			
AUTRES ÉLÉMENTS D'ACTIF.....	933	1,281			
IMMOBILISATIONS NETTES—au prix coûtant....	67,950	63,432			
	\$119,961	\$116,160			
PASSIF					
EXIGIBILITÉS:					
Emprunt bancaire.....	\$ 2,650	\$ —			
Comptes à payer.....	19,184	17,119			
Autres exigibilités.....	6,586	8,666			
	28,420	25,785			
IMPÔTS SUR LE REVENU À VENIR.....	4,040	4,040			
DETTE À LONG TERME.....	10,671	11,007			
CAPITAL-ACTIONS.....	15,688	15,688			
BÉNÉFICES NON-DISTRIBUÉS.....	61,142	59,640			
	\$119,961	\$116,160			

État consolidé de la provenance ET DE L'UTILISATION DES FONDS

PROVENANCE DES FONDS		UTILISATION DES FONDS	
Pour les 26 semaines terminées le 21 sept. 1968 le 16 sept. 1967			
(en milliers de dollars)			
Bénéfices nets des 26 semaines	\$ 4,409	\$ 5,146	
Amortissement	3,489	3,502	
Fonds provenant de l'exploitation	7,898	8,648	
Vente d'immobilisations	531	135	
Taxe spéciale remboursable	670	(62)	
	9,099	8,721	

Aux actionnaires

DE DOMINION STORES LIMITED

Durant la première moitié du présent exercice, semestre terminé le 21 septembre 1968, votre compagnie a réalisé une augmentation appréciable de ses ventes. Néanmoins, elle eut à affronter des pressions intenses et antagonistes de deux sources: des consommateurs anxieux d'éviter ou de freiner l'augmentation des prix, et des influences économiques qui semblent inexorablement forcer de mois en mois l'augmentation des frais d'exploitation.

VENTES:

Bien que l'intense compétition qui sévit depuis quelque temps au domaine de l'alimentation ait persisté sans répit au cours du premier semestre du présent exercice, Dominion Stores réalisa des progrès satisfaisants et accrut ses ventes globales de 5.87 pour cent au regard de celles de la période correspondante de l'exercice précédent. Le volume global des ventes se chiffra par \$293,490,064, une augmentation de \$16,268,342.

BÉNÉFICES:

En dépit d'un accroissement prodigieux des ventes, les bénéfices subirent un fléchissement, en raison, pour une grande part, d'une augmentation prononcée des frais d'exploitation, particulièrement des salaires et des avantages aux employés. En outre, la surtaxe de trois pour cent du gouvernement fédéral sur l'impôt sur le revenu des compagnies entraîna une imputation de \$132,000 sur le profit. En conséquence de cette hausse des frais et des impôts, le profit net des 26 semaines diminua de \$736,429 au regard de celui de la même période l'an dernier. Le profit net s'établit à \$4,409,053 ou 54 cents par action, en comparaison de 63 cents au premier semestre de l'exercice précédent. Le rapport des bénéfices aux ventes fut de 1.5 pour cent.

DÉVELOPPEMENT:

L'expansion des installations de détail de votre compagnie se poursuivait telle qu'elle était projetée. Au cours du premier semestre de l'exercice, on ouvrit huit nouveaux supermarchés à Regina, Winnipeg, Toronto, Cobourg, Montréal (3) et Chicoutimi; on ferma six petits magasins démodés. À la fin du semestre, on comptait 383 magasins en exploitation. Neuf autres magasins étaient en construction et on prévoit leur ouverture au cours de l'exercice.

La construction du nouveau Centre de distribution dans le Toronto métropolitain s'est poursuivie au rythme prévu. Tel qu'il a été projeté, il sera vraisemblablement mis en service en mai 1969. Ce Centre fournira de nombreux moyens d'accroître l'efficacité de la distribution des aliments.

PERSPECTIVES:

Face à la concurrence intense que Dominion Stores a affrontée ces derniers mois, la direction et le personnel de votre compagnie ont démontré une aptitude soutenue à relever de nouveaux défis et à pousser sans interruption la mise en valeur et l'essor de Dominion Stores comme entreprise exploitant de premier ordre de supermarchés. On prévoit que l'essor de l'économie canadienne se poursuivra à un rythme relativement modéré d'ici quelques mois. De pair avec l'accroissement soutenu de la population, cette situation favorisera davantage l'expansion des ventes.

Au sein de Dominion Stores tous les frais inhérents à l'exploitation sont sans cesse surveillés et l'entière organisation est imbuée de l'importance de rechercher et mettre en oeuvre toute mesure d'économie imaginable. Tout outillage et toutes méthodes susceptibles de favoriser l'efficacité de l'exploitation sont mis à contribution au fur et à mesure de leur disponibilité.

Dominion Stores ne posera aucun acte de nature à compromettre d'une manière ou d'une autre les normes de qualité et de variété des marchandises disponibles qui font sa renommée auprès du public, ni n'adoptera-t-elle aucune mesure qui pourrait nuire à la réputation établie de la compagnie en raison de son service courtis, attentif et efficace. On n'aura de cesse d'accorder l'attention voulue à toute mesure susceptible de favoriser l'économie ou l'efficacité et qui ne suppose aucun écart à ces normes. Vos administrateurs ont la conviction que l'essor du volume d'affaires, de l'accueil du public et des bénéfices repose uniquement sur des directives administratives d'avant-garde ainsi que sur l'entière considération des besoins et des intérêts du consommateur.

Au nom du Conseil d'Administration

Le Président

THOMAS G. McCORMACK

Points saillants du semestre

26 semaines terminées		
le 21 sept.	1968	
le 16 sept.	1967	
VENTES.....	\$293,490,064	\$277,221,722
PROFIT D'EXPLOITATION.....	\$ 12,903,363	\$ 14,142,863
Amortissement.....	3,489,310	3,502,381
Impôts sur le revenu.....	5,005,000	5,495,000
PROFIT NET.....	\$ 4,409,053	\$ 5,145,482
Par dollar de ventes.....	1.50¢	1.86¢
Par action.....	54¢	63¢
DIVIDENDES.....	\$ 2,906,290	\$ 2,906,290
Par action.....	36¢	36¢
Fonds de roulement.....	\$ 22,657,720	\$ 25,303,435
Rapport dt fonds de roulement.....	1.80	2.08
Total des bénéfices non-distribués.....	\$ 61,142,187	\$ 57,183,591
Avoir des actionnaires.....	\$ 76,830,686	\$ 72,872,050
Nombre de magasins à la fin de la période	383	384

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Rapport semi- annuel

DOMINION STORES LIMITED

POUR LES 26 SEMAINES TERMINÉES LE 21 SEPTEMBRE 1968